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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002673

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SUBJECT: TAIWAN'S STRAITS EXCHANGE FOUNDATION: NEW
CHAIRMAN, DIM PROSPECTS

REF: TAIPEI 2595

Classified By: AIT Director Douglas H. Paal, Reason 1.4 b

1. (C) Summary. Taipei has portrayed the selection of former Premier Chang Chun-hsiung to be Straits Exchange Foundation (SEF) Chair as an effort to restore SEF as a major player in cross-Straits relations. In his June 13 speech proposing to move forward cross-Straits dialogue, however, Premier Frank Hsieh omitted SEF from the list of private and semi-private facilitating organizations. For their part, opposition "Pan-Blue" leaders dismiss both Chang as Chair and SEF as significant cross-Straits actors. While Taipei would prefer working through the quasi-official SEF than through genuinely private organizations, there are no indications that SEF is poised to recover the central role in cross-Straits negotiations it played in the 1990's under the highly respected Koo Chen-fu. In the event that SEF does find a role, it will be a SEF under Chang Chun-hsiung that is, as one senior Democratic Progressive Party (DPP) leader told AIT, "safe" and "compliant." End Summary.

Remembrance of Things Past

2. (U) Premier Frank Hsieh (Chang-ting) nominated, and the SEF Board elected on June 10, former Premier and DPP Chair Chang Chun-hsiung to be the new SEF Chair, replacing the inimitable Koo Chen-fu who died in January. Hsieh presented Chang as "upright and pragmatic," and government officials and Pan-Green leaders rushed to praise the Chang appointment as signaling a new day for SEF, which has been sidelined since 1998, serving primarily as a visa office for the Mainland Affairs Council (MAC). MAC Chair Joseph Wu declared the selection of such a prominent senior leader as Chang Chun-hsiung would reinvigorate SEF and strengthen Taiwan's cross-Straits policy. Just as quickly, however, Pan-Blue political leaders dismissed Chang as "a patsy" and the wrong person for the job, given his well-known pro-independence views and his lack of experience or interest in cross-Straits issues.

Marking Time

3. (C) Former MAC Vice Chair Alexander Huang (Chieh-cheng), a Chen Shui-bian appointee, agreed that Chang was not the right person for the SEF Chair since, as he told AIT, Chang has little experience with cross-Straits issues and is neither close to, nor has much contact with, President Chen. Noting that the Foundation on International and Cross-Straits Studies (FICSS), of which he is now Vice President, was hosting a delegation from Beijing's China Institute for Contemporary International Relations (CICIR) on the day he (Huang) talked with AIT, Huang argued that President Chen "miscalculated" in selecting Chang because Beijing will see the Chang selection as an indicator that Chen is not serious about cross-Straits negotiations. Also pointing to Chang's lack of direct cross-Straits experience, DPP Deputy SecGen Yan Wan-chin, himself a former SEF Deputy Director, told AIT that Chang's appointment was another sign that SEF's "time has passed." Instead, he said, future cross-Straits negotiations will likely follow a variation of the 2005 Chinese New Year charter flight negotiations between private entities with functional government participation.

A Safe Choice

4. (C) People First Party (PFP) Policy Research Director Vincent Chang (Hsien-yao) told AIT that Presidential Office Deputy SecGen James Huang (Chih-fang) had called him (Chang) in mid May to ask what the PFP thought about Chang Chun-hsiung as SEF Chair. Noting that President Chen had long hoped Soong would assume the SEF Chair, Vincent Chang suggested Chen was trying one last time to coax Soong into the SEF Chair.

5. (C) Examination Yuan President and pro-independence fundamentalist Yao Chia-wen informed AIT that President Chen had told him the Chang Chun-hsiung selection was intended to keep SEF compliant and quiescent. This occurred during Yao's meeting with Chen to discuss the concerns that DPP "elders"

(dalao) have over what they see as Chen's too-conciliatory approach on cross-Strait relations. Noting that Premier Hsieh's June 13 statement (Ref A) had further disturbed the elders, Yao said he has arranged for a meeting next week between a group of elders, including Yao and Peng Ming-min, and President Chen to discuss cross-Strait issues and constitutional reform. The elders intend "to keep the pressure" on Chen to adhere to "DPP principles," Yao told AIT, noting that he regularly meets and coordinates with former President and independence fundamentalist Lee Teng-hui.

16. (C) Former MAC Chair and current KMT legislator Su Chi told AIT that the Chang selection was wrong because Chang is "too political," whereas SEF needed a more centrist person to give it credibility with Beijing. On the other hand, Su surmised, President Chen may have intended Chang's appointment to "cleanse" the SEF of its close association with the controversial "1992 consensus" (one China, different interpretations). The private and quasi-private organizations PM Hsieh proposed on June 13 to facilitate cross-Strait cargo charter flight and agricultural trade negotiations, Su continued, indicated the Chen administration, too, understood that SEF's time had passed.

Comment: Not Wave of Future

17. (C) The appointment of Chang Chun-hsiung appears designed both to ensure SEF compliance in the event a role materializes for SEF in the current spate of cross-Strait maneuvering, as well as to give face to a party warhorse who wanted to resign his Legislative Yuan (LY) seat when he failed to become LY president. Precisely because Chang is so clearly identified as a "deep Green" political leader, Beijing will likely have little trust in him and little interest therefore in dealing with him. Chen insiders have greater hopes for using the yet-to-be-appointed Cross-Strait Peace and Development Commission, expected to be announced later this year.

18. (C) The recent spate of cross-Strait movements on the Taiwan side derived from Premier Hsieh's June 13 public response to Beijing's earlier offers to Taiwan's opposition leaders of cooperation on cargo charter flights, Taiwan agricultural exports to Mainland China, and PRC tourists to Taiwan. In only one of these areas has SEF even been mentioned as a possible facilitator -- tourism, at once Beijing's highest and Taipei's lowest current cross-Strait priority.

PAAL